



**STATEMENT OF PROCEEDINGS
FOR THE REGULAR MEETING OF THE
LOS ANGELES COUNTY COMMISSION ON INSURANCE
KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 374-A
LOS ANGELES, CALIFORNIA 90012**
<http://lacic.org>

Wednesday, March 2, 2016

10:45 AM

AUDIO LINK FOR THE ENTIRE MEETING. (16-1387)

Attachments: [AUDIO](#)

Present: Chair Scott Svonkin, Vice Chair Eric Bauman, Commissioner Bob Blake, Commissioner Wilbert Smith, Commissioner Patricia Torres and Commissioner Steve Vicencia

Absent: Commissioner Steve Aspel, Commissioner Daniel Falcon and Commissioner Luther Nash

I. ADMINISTRATIVE MATTERS

1. Call to Order. (16-1106)

The meeting was called to order as a Committee of the whole by Chairman Svonkin at 10:54 a.m. Commissioner Blake joined the meeting shortly after establishing a quorum of members present.

2. Approval of the February 4, 2016 Special Meeting Minutes. (16-1107)

On motion of Commissioner Smith, seconded by Commissioner Blake, and unanimously carried, this item was approved.

Attachments: [SUPPORTING DOCUMENT](#)

II. REPORTS

3. Chairman's Report. (16-1108)

There was no report given on this item.

4. Flood Insurance Awareness Sub-Committee - Press Conference Recap. (16-1109)

There was no discussion on this item.

III. PRESENTATIONS

5. Presentation by State Insurance Commissioner Dave Jones on his goals and accomplishments. (15-3881)

Chairman Svonkin welcomed California State Insurance Commissioner Dave Jones and thanked him for his attendance; he noted that Commissioner Jones has been in office since 2011 and extended the Commission's support and willingness to collaborate.

State Insurance Commissioner Dave Jones thanked the Commission for the invitation; he provided an overview on his term in office and on his duties and responsibilities in overseeing offices in Los Angeles, San Francisco, and Sacramento, as well as five satellite law enforcement offices throughout California. Commissioner Jones' responsibilities include regulating California's insurance market which is the largest insurance market in the United States and sixth largest market internationally.

Commissioner Jones shared the following:

- **The State Insurance Commissioner has rate regulatory authority over property and casualty insurance however, for over a decade he has made tireless efforts to include health insurance and health maintenance organization products (HMO). California is in the minority group regarding the extended authority over health insurance and HMO products; 35 States in the U.S. have this authority;**
- **The solvency of all insurance agents, licensed to do business in California, is also regulated by the State Insurance Commissioner, should any business face financial duress, he has the authority to take over the books and not disrupt consumers. His office administers the Fair Claims Settlement Act which governs how insurance companies handles claims pursuant to California law; 300 law enforcement professionals investigate crimes against insurance companies and/or their representatives; included is licensure of approximately 340 individual producers and over 20,000 entities;**
- **Concerned with the frequency and severity of wild fires in California; most recently these fires are of historical magnitude damaging over 5,000 homes. He is personally invested in ensuring that ongoing claims are processed accordingly; complaints have been minimal throughout the entire process, and homeowners have adopted emergency procedures regarding fire prevention and filing claims timely.**

- The Fair Plan is implemented, enforced, and is made accessible to ensure that all homeowners qualify for fire protection insurance; throughout his order, he has removed 3 declination factors that would otherwise prevent qualification of the Fair Plan;
- Sits on the Board of the California Earthquake Authority, and by way of his regulatory role has twice successfully reduced earthquake insurance rates by 10% and 12% and has historically given the consumer the option to select their deductible, making premiums flexible. Moreover, this coverage includes approximately \$2,500 of personal property content without any deductible. Additionally, capital costs have been reduced, re-insurance costs were climbing and the opportunity to insure the California Earthquake Authority was created to protect its' reserves. Another initiative launched is the mitigation process which addresses homes built pre-1970 with suspended foundations; a pilot program was implemented to subsidize and stimulate retrofitting the home, its chimney and foundation to become anchored in a stable fashion thus significantly reducing earthquake damages. Currently, enacted legislation provides funds for this brace and bolt program. Collaborations with Los Angeles Mayor Garcetti are ongoing to identify infrastructure and commercial property at risk of earthquake damage.
- Life Insurance is under his authority and in regards to worker's compensation, an advisory opinion commonly known as a pure premium advisory bench mark, is issued annually as a mechanism to advise on the rates that are filed versus where rates should be;
- Extensive concerns regarding the imminent danger that wild fires present, and agrees that brush clearance and clear cutting lands can help, however, this cannot easily happen when State and/or Federal lands are involved. Fire insurance funds are solvent making this attractive to consumers; significant deductibles are mandated by legislature which dictates that the collection of premiums should be sufficient to cover losses, this coverage is an actuary and sound product having no profit gained. Regarding the brace and bolt program, homeowners that complete retrofitting should have their premiums modified; budget negotiations are ongoing. Commissioner Jones encouraged the Commission on Insurance to visit the California Earthquake Authority's website for updates, video content, and their undertakings regarding earthquake damage prevention.

- The ability to pay for media is limited and although the market share is low for earthquake coverage, it is not decreasing; the two licensed product providers are Pacific Specialty and Geovera; and
- There are three main areas of insurance fraud that are investigated by his office regarding worker's compensation; applicant fraud, employer fraud, and provider fraud, and medical provider fraud is also included with much success. He noted that he feels very strongly about law enforcement against fraud.

Chair Svonkin shared the Commission on Insurance's most recent accomplishment of Insurance Fraud Awareness Month and indicated that Commission's main concern is to bring awareness to Los Angeles County. Chairman Svonkin explained that fraud affects everyone and the Commission on Insurance looks forward to collaborations with Commissioner Jones on spreading this message throughout California.

Discussions ensued regarding examples of fraud, the collaborations involved, and the prosecution of fraudulent activity. State Insurance Commissioner Jones reported on the funding for the different types of fraud which are funded by assessments through legislation that have created a Fraud Assessment Commission (FAC). The FAC is vested with the authority to generate funds for investigations regarding worker's compensation fraud. The limited funding is used towards investigating disability and life insurance. Commissioner Jones also reported on Prop 47 regarding the violations by bail bonds, which includes premium theft, and solicitations; however, there is no funding available to conduct investigations. Commissioner Jones will forward information regarding a two year bill, the author, and who it's carried by.

In response to the Commission on Insurance's passionate concerns regarding the most unfortunate San Fernando gas leak, Commissioner Jones advised the Commission that although the area has been declared a disaster area, currently there are no claims filed or telephone calls with his office claiming total losses by any homeowner. Additionally, legislature is looking at upcoming regulations on this subject, since the method for storing gas underground is typical for this industry. Commissioner Jones commented regarding the merger of insurance companies, and noted that companies operating in California are given due process inasmuch to extend to the public an opportunity to question mergers; in general, his responsibility includes that any acquisition should prove not to have economic challenges while keeping reasonable rates for consumers.

Chairman Svonkin thanked State Insurance Commissioner Jones for his informative presentation.

IV. MISCELLANEOUS

- 6.** Matters not posted on agenda, to be discussed and (if requested) placed on the agenda for action at a future meeting of the Committee, or matters requiring immediate action because of an emergency situation or where the need to take action arose subsequent to the posting of the agenda. (16-1110)

There were no matters presented.

- 7.** Opportunity for members of the public to address the Commission on items of interest that are within the jurisdiction of the Commission. (16-1111)

No members of the public addressed the Commission.

- 8.** Adjournment. (16-1112)

There being no further business and without objection, the meeting was adjourned at 11:58 a.m.